

8.001 Under section 40 of the Patriotic and Canteen Funds Act 1947 (the Act) the Audit Office is the auditor of the 15 statutory boards established under the Act:

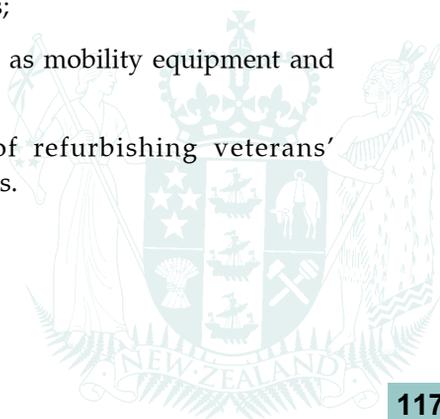
- the Patriotic and Canteen Funds Board (the Board); and
- 14 Provincial Patriotic Councils.

8.002 The Act provides for the administration and control of money raised for patriotic purposes and of the accumulated profits and surplus property of the former Canteen Board. The function of the Board and the Provincial Patriotic Councils (within their districts) is to administer funds in accordance with the Act for the relief, assistance, and support of discharged servicemen and their dependants.

8.003 The Board's main activity is the operation of War Veterans Homes. Concerns were raised during our 1998 and 1999 audits about ongoing financial viability, funding, organisational structure, and ownership. The Board has undertaken work to address the concerns raised. Earlier this year the Board decided to reduce its administrative costs by operating its national office through the Returned Servicemen's Association.

8.004 Provincial Patriotic Councils' main source of income is interest on investments, which is used for purposes associated with the welfare of returned servicemen. Examples of the types of assistance that is provided to beneficiaries include:

- grants to organisations to fund activities such as making deliveries or providing assistance with maintenance of veterans' homes and gardens;
- payments toward costs such as mobility equipment and care; and
- grants toward the cost of refurbishing veterans' accommodation in rest homes.



- 8.005 Reducing cash balances and decreasing interest rates are leading to reductions in income for most Provincial Patriotic Councils. One council has estimated that, with the present level of distribution to beneficiaries, capital is being eroded and there will be none left within 10 years.
- 8.006 However, along with declining revenue, the number of beneficiaries is also declining. As a result, some councils have either ceased to operate or have indicated that they would like to wind up their activities, and have approached us for advice about how to do this.
- 8.007 The Councils that we are aware of that have sought to wind up are the Auckland, Waikato and Wellington Provincial Patriotic Councils. We have been unable to ascertain – either by our own scrutiny of the Act or by advice from the Office of Veterans’ Affairs – how a council can be wound up under the Act.
- 8.008 A possible approach for a council wishing to cease operating is to prepare final accounts and to confirm the intention to cease operating by a formal resolution. This resolution should also deal with the disposal of any liabilities and assets of the Council. Nevertheless, the entity will continue to exist until it is permitted by statute to be wound up.
- 8.009 As can be seen from the financial information presented in Figure 8.1 on the next page, a number of Councils, on the basis of 1998-99 activity levels, may be expected to exhaust their remaining capital over the next 10-15 years.

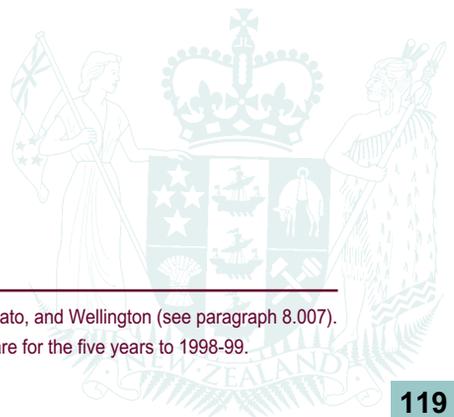


Figure 8.1
Financial Position 1998-99

Council ¹	Income \$	Expenditure \$	Surplus/ (Deficit) \$	Equity \$
Northland	5,752	15,456	(9,704)	144,895
Bay of Plenty	2,942	6,612	(3,670)	65,140
East Coast	5,802	11,980	(6,178)	83,592
Marlborough	909	2,686	(1,777)	17,445
Nelson	2,464	5,610	(3,146)	68,690
Westland	4,219	14,568	(10,349)	55,720
Otago ²	676	481	595	799
Southland	2,383	1,254	1,129	52,110
Hawkes Bay	509	413	96	12,789
Canterbury	14,115	9,079	5,036	109,208
Taranaki	29,298	24,026	5,272	389,868

Conclusion

8.010 Some Provincial Patriotic Councils will wish to continue operating to assist servicemen on an ongoing basis or until such time as their capital is exhausted. However, we recommend to the Office of Veterans’ Affairs that legislative provision be made to allow for a council to be wound up if it wishes to do so.



1 The table does not include Auckland, Waikato, and Wellington (see paragraph 8.007).
2 Income, expenditure, and surplus figures are for the five years to 1998-99.